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**HEALTH GOALS MAY BENEFIT DETROIT 3
OBAMA'S REFORM IDEAS COULD LET AUTOMAKERS COMPETE AGAIN**

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WASHINGTON - A silver bullet? Maybe not.

But a sweeping reform of health care access and cost in the United States could go a long way to making the Detroit Three automakers more competitive with foreign-based rivals - if they can survive long enough to see it.

On Thursday, Obama administration officials are to be in Dearborn with Gov. Jennifer Granholm to continue a discussion that started last week at the White House with members of Congress, industry leaders, businesspeople and labor: how best to reform an employer-based health care system whose costs have exploded.

Few parameters were set for the discussions, and the president acknowledged that the promises he made during his campaign could be set aside for better ideas.

A single-payer, Canadian-style system of government-run health care is unlikely - employer-based coverage is expected to survive - but much of everything else, it seems, is on the table.

"As long as they are focused on things that get at cost, they should help" the auto companies, said Kristin Dzikczek, director of the Labor and Industry Group at Ann Arbor's Center for Automotive Research.

Some sort of national health plan to backstop your company's coverage? It'll be part of discussions. Government picking up part of the tab for catastrophic care - one of the most expensive costs to private-plan holders? It will be considered. Expanding Medicare to accept people younger than 65? Maybe.

Without details, it's hard to say what the effects might be.

Change could be coming

President Barack Obama has laid down broad parameters, such as aiming for universal coverage, providing portability (so it can be taken from job to job, or place to place) and bringing down costs. But there is decidedly an atmosphere in Washington that change could be coming.

"The crisis in the economy provides a much greater need," said Dr. Jack Billi, associate vice president of medical affairs at the University of Michigan. "Health care is a shovel-ready project."

And all of those ideas could have particular impact in Michigan, where the percentage of employer-based plans is high - 66% in 2007, compared with a national average of 59% - and so is the unemployment rate, meaning more people are losing coverage.

Much of that, in turn, is tied to the well-publicized problems of Detroit's automakers, which have long been saddled not only with the cost of covering current workers but being productive enough to pay for hundreds of thousands of retirees.

And that early retirement number is swelling as well, as more autoworkers have accepted buyouts.

"It's turned out to be a lot of money," said Teresa Ghilarducci, an economics professor at the New School for Social Research in New York City.

Obama has said he wants to work through a health care reform package this year; congressional leaders' would like to get something done by the end of summer.

That's a compressed timetable and, for so complex a topic perhaps an unrealistic one. But it is a schedule that underscores the public desire to address one sector of the economy that has outgrown inflation for years.

It's still a question, though, whether the Detroit Three will live to see it.

Visit to Michigan

Obama's auto team is headed to Michigan on Monday to continue its work on how best to restructure Chrysler LLC and General Motors Corp., both on the verge of collapse without at least \$7 billion more from the government by the end of this month.

A big part of that restructuring would involve health care costs for current employees and retirees.

An overriding issue is how to fund - through cash payments and shares of stock - the UAW-run voluntary employee beneficiary association, or VEBA, which will cover retirees.

GM, Chrysler and Ford Motor Co. agreed in contract talks two years ago to pay \$56 billion to fund the VEBA. Handing over the legacy costs to the UAW could solve the No. 1 competitive issue for domestic automakers.

With those costs on its payroll, automakers spend about \$71 an hour on labor. Without them, the cost drops to less than \$60 - far closer to that spent by foreign automakers at their U.S. operations.

But, if anything, "the burden has gotten larger," said Dzikczek, as more people have left their jobs and taken early retirement. More than 540,000 retirees and spouses were expected to be covered by the VEBA in 2007. That has grown larger since then.

And the carmakers, she said, "do not have the cash to fund these VEBAs."

Consider, though, how health care reform could affect those plans - if the union, the carmakers and the federal government can figure out an acceptable way for Chrysler and GM to make good on their promises for funding the plans. (The union and Ford already have settled on a stock and cash option.)

Right now, \$56 billion is considered too little compared with the estimated future health care costs. But if the government were to pick up part or most of the tab for catastrophic care, it could greatly reduce the VEBA's unfunded liability. If a national health care plan were available, perhaps the VEBA could buy into that for less.

Or, if Medicare eligibility were expanded, it's possible the VEBA could be used to offer additional benefits on top of it - making it a sort of Medicare supplement.

Big dividends

UAW officials didn't return calls from the Free Press last week about the VEBA and GM, for one, declined to speculate on what form health care policy might take or the returns it might pay for automakers.

But there was little doubt reform could pay big dividends.

Even without retiree benefits hanging over them, automakers' wage-related benefits, such as health care for workers, generally are higher - \$5 an hour higher according to a chart put out by Ford last fall - than those paid by foreign automakers doing business in the United States.

In their home nations such as Japan and Germany, many of those companies have no direct health care costs to employees at all - since they have nationalized health care.

Under new contracts, the Detroit Three bring new workers in at lower wages and far lower pension and retiree health care costs.

"It's quite clear the automakers are assuming a cost that most of their competitors internationally don't," said Marianne Udow-Phillips, a former head of the state Department of Human Services and director of the Center for Healthcare Research and Transformation, a joint project of the University of Michigan and Blue Cross Blue Shield of Michigan.

Sen. Debbie Stabenow, D-Mich., is urging Obama's auto task force to consider health care reform and restructuring of the automakers together.

But it remains to be seen whether the Detroit Three's myriad other problems - hitting fuel-efficiency standards, changing their product mix and surviving the worst market in 40 years - will doom one or more automakers before health care changes occur.

"Would it be the silver bullet?" asked Bob Stevenson, an employee benefits attorney in Ann Arbor. "I think we all know the Detroit Three have more problems than just their legacy retirement benefits."

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